



# Monthly Economic Update

## November 2001



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This report is a monthly update to the Quarterly Economic Indicators Report, both of which are available on the internet @ <http://www.co.mo.md.us/services/finance> For questions, please call (240) 777-8866

- **Business Cycle.** According to the National Bureau of Economic Research (NBER), the longest running business cycle came to an end in the 2<sup>nd</sup> quarter of this year. The NBER indicated that, contrary to the 0.3% growth in GDP in the 2<sup>nd</sup> qtr 2001, the economy was contracting by then.  
Regardless of the exact timing, the national economy is now in recession, and the 3<sup>d</sup> qtr 1.1% decline in GDP will be followed by at least one more negative quarter. The latest leading economic indicators for the nation and Washington area continue to project a weak economic outlook, although some economic indicators, notably consumer spending, construction, and non-manufacturing goods orders, suggest that the economy may be close to a bottom.
- **Retail Sales.** Similar to the record jump in retail sales nationwide in October, retail sales, measured by sales tax, were also strong in Maryland (5%) and the County (7%). However, in contrast to the nationwide number, where auto sales (fueled by 0% financing) were the main reason for the 7% retail sales growth, regional sales were more broad based.  
Even though retail sales in the County, measured through October, lag behind the same period last year, with the County outperforming the State, some sectors are holding up: food & beverage (12.4% growth), apparel (10.2%), automotive (5.0%), and building supplies (11.1%). By contrast, general merchandise (-0.9%), furniture (-7.4%), and machinery (-16.9%) exhibit considerable weakness.
- **Labor Market.** Even though economic conditions in the Washington area are considerably better than nationwide, the impact on the business sector, and hence labor market, from weaker economic growth and a decline in corporate profits is significant. For example, while the number of private sector jobs in the County jumped 5.7% last year, growth decelerated to just 1.8% by March of this year. In other words, while average monthly growth in private sector jobs was 20,000 last year, by March 2001 only 6,400 were added to the County's payroll.  
In addition to fewer new jobs, businesses were shedding existing jobs. As a result, unemployment claims in Maryland jumped 66% in October, while the County's unemployment rate rose from a record low of 1.5% last December to 2.9% in October of this year. This nearly doubling of the rate occurred at roughly the same time that the national unemployment rate increased from 3.9% to 5.7%.  
While the County's unemployment rate remains below the 4.0% observed during the last recession, the sharp upward trend, in combination with a significant slow-down in new jobs, underscores the dramatic impact that the weak regional economic conditions have on the County's labor market.
- **Real Estate.** Following three exceptionally strong years (1997 – 99), especially the 26% jump in 1998, growth in housing sales in the County has stalled in both 2000 and 2001. Measured through November of this year, new and existing homes sold through a realtor, are up just 1.7% while the last three months show sales below the same period last year (-6.4%). Despite slower sales, the value measured by either median prices (10.5%) or average (8.0%) are exceptionally strong, and well above the national trend (5.5% and 4.7%, respectively).  
Existing home sales nationwide reflect the same trend, with sales through October up 2.5%, while new home sales nationwide are up 3.9% for the same period. Moreover, new home sales are the strongest in the South (8.4%) and Midwest (5.5%), but remain weak in the Northeast (-9.8%) and West (-0.5%).
- **Construction.** Measured through October, construction in the County remains robust, with 9% growth in the residential sector and 64% in non-residential construction. However, at the same time that office construction more than doubled from last year, adding 2.5 million sq ft of new space, office vacancy rates for class-A space jumped to a five-year high.

SELECTED ECONOMIC INDICATORS	Reporting Period	Current Period	Prior Year's Period	Year To-Date		
				2001	2000	2000
Leading Indicators						
National	October	0.0%		-0.8%		-1.5%
Washington MSA	September	-5.6%		-2.4%		0.5%
Consumer Confidence Index						
National	November	-38.0%		-23.2%		-9.2%
South Atlantic Region	November	-38.9%		-22.0%		-9.9%
Consumer Price Index						
All Items						
National	November	1.9%		2.9%		3.4%
Washington - Baltimore CMSA	November	2.2%		2.7%		3.3%
Core CPI						
National	November	2.8%		2.7%		2.4%
Washington - Baltimore CMSA	November	3.6%		3.0%		2.3%
Retail Trade						
National (sales)	November	3.9%		3.4%		7.6%
Maryland (tax)	October	5.0%		3.5%		8.2%
Montgomery County (tax)	October	7.0%		4.4%		6.6%
Employment						
National	November	134,539,000	135,731,000	135,109,000	135,128,000	135,208,000
- Percent Change		-0.9%		0.0%		1.3%
Washington PMSA (at place)	September	2,845,400	2,787,800	2,825,400	2,738,300	2,707,700
- Percent Change		2.1%		3.2%		3.0%
Montgomery County (resident)	October	490,196	480,732	488,838	471,586	473,902
- Percent Change		2.0%		3.7%		1.3%
Montgomery County (payroll)	March	448,501	440,995	445,968	436,587	447,744
- Percent Change		1.7%		2.1%		4.9%
Unemployment						
National	November	5.3%	3.8%	4.7%	4.0%	4.0%
Maryland	October	4.3%	3.8%	3.8%	3.9%	3.9%
Washington PMSA	September	3.2%	2.5%	2.5%	2.4%	2.3%
Montgomery County	October	2.9%	2.1%	2.1%	1.9%	1.9%
Construction						
Project Cost - Montgomery County						
Total (\$ thousand)	October	\$103,158	\$37,028	\$1,118,672	\$846,471	\$1,071,216
- Percent Change		178.6%		32.2%		-26.2%
Residential (\$ thousand)	October	\$9,983	\$17,995	\$533,580	\$489,045	\$549,410
- Percent Change		-44.5%		9.1%		29.3%
Non-Residential (\$ thousand)	October	\$93,175	\$19,033	\$585,092	\$357,426	\$521,806
- Percent Change		389.5%		63.7%		-49.2%
Building Permits (Residential)						
National	October	133,335	134,497	1,377,651	1,332,257	1,574,361
- Percent Change		-0.9%		3.4%		-5.4%
Maryland	October	2,915	2,282	24,319	22,654	29,417
- Percent Change		27.7%		7.3%		-1.1%
Montgomery County	October	352	375	4,308	3,674	4,472
- Percent Change		-6.1%		17.3%		6.7%
Building Permits (Non-Residential)						
Montgomery County	November	139	150	1,954	1,564	1,697
- Percent Change		-7.3%		24.9%		28.7%
Real Estate						
National						
Sales	October	5,170,000	5,070,000	5,250,000	5,120,000	5,113,000
- Percent Change		2.0%		2.5%		-1.8%
Median Price	October	\$145,300	\$138,600	\$145,800	\$138,200	\$139,000
- Percent Change		4.8%		5.5%		4.3%
Montgomery County						
Sales	November	1,144	1,218	13,668	13,436	14,779
- Percent Change		-6.1%		1.7%		0.4%
Average Price	November	\$279,226	\$245,143	\$271,642	\$251,433	\$253,893
- Percent Change		13.9%		8.0%		4.9%
Median Price	November	\$221,950	\$188,000	\$208,327	\$188,518	\$190,000
- Percent Change		18.1%		10.5%		2.7%